

CHAPTER III : TAXES ON MOTOR VEHICLES

3.1 Results of audit

Test check of the records of the Motor Vehicles Department conducted during the year 2006-07, disclosed under assessments of tax, non-levy of penalty, fees, etc. amounting to Rs.4.56 crore in 89 cases, under the following broad categories:

(Rupees in crore)			
Sl. No.	Category	Number of cases	Amount
1	Non/short levy of tax	65	2.05
2	Non-levy/collection of tax, fees/penalty	10	0.06
3	Other irregularities	14	2.45
	Total	89	4.56

During the year 2006-07, the department accepted under assessments involving revenue of Rs.4.91 crore in 118 cases including Rs.57 lakh in 42 cases which were pointed out in earlier years and recovered an amount of Rs.57 lakh in those 42 cases.

A few illustrative cases involving Rs.2 crore are mentioned in the following paragraphs. Of this Rs.23,588 was recovered.

3.2 Non-levy of additional sum for belated payment of tax by a fleet owner

According to the Karnataka Motor Vehicles Taxation Act, 1957 (KMVT Act) and the Rules made thereunder, the fleet owners are required to pay tax for each year in instalments, not exceeding 12, based on provisional assessment, at the prescribed percentage of their estimated revenue from fares and freights as declared by them before the commencement of the year. The tax due after the close of the year is determined with reference to the final declaration accompanied by the audited accounts. The tax due on final assessment is to be paid within 30 days from the date of receipt of the certificate of tax payable. For failure to do so, an additional sum at one *per cent* of such tax is to be paid, for each month of default.

During the test check of the records of the Commissioner for Transport, it was noticed in November 2006 that the tax finally due in respect of a fleet owner, namely, North West Karnataka Road Transport Corporation for the years 2003-04 and 2004-05 was determined between January and December 2005 at Rs.72.33 crore. The tax paid by the fleet owner at the time of final assessment aggregated Rs.57.31 crore. The balance amount of Rs.15.02 crore was paid after a delay ranging from 5 to 16 months. The additional sum payable till the date of final payment was Rs.1.88 crore which was not demanded by the department.

After this was pointed out in November 2006, the Commissioner for Transport reported in January 2007 that notice had been issued to pay the additional sum. Report on recovery of the amount has not been received (October 2007).

The matter was referred to the Government in March 2007; their reply has not been received (October 2007).

3.3 Short levy of tax due to misclassification

Under the KMVT Act, tax shall be levied at prescribed rates for different classes of vehicles. In addition, cess at the rate of 10 *per cent* of tax was also leviable.

According to the Motor Vehicles Act, 1988 (MV Act), 'Maxi cab' means any motor vehicle constructed or adapted to carry more than six but not more than 12 passengers, excluding the driver, for hire or reward.

In three²⁷ regional transport offices (RTOs), 22 vehicles were registered as maxicabs based on seating capacity of 12+1 as furnished in the dealers' certificate and tax of Rs.6.10 lakh was levied. However, audit scrutiny in November/December 2006 revealed that the seating capacity of these vehicles

²⁷ Bellary, Hospet, Raichur

was 13+1/ 14+1 as indicated in the manufacturer's certificate and these were to be taxed based on their use. The tax to be levied as for a stage carriage on these 22 vehicles was Rs.11.47 lakh as computed in audit. The incorrect classification of vehicles with seating capacity of 13+1/ 14+1 as maxicab resulted in short levy of tax of Rs.5.37 lakh.

After the cases were pointed out to the Commissioner for Transport in January/February 2007, the department reported in June 2007 in respect of RTO, Hospet that action was being initiated to recover the difference of tax amount. Of this, Rs.9,980 had been recovered. Reply in respect of the remaining cases have not been received (October 2007).

The cases were referred to the Government in April 2007; their reply has not been received (October 2007).

3.4 Non levy of tax in spite of non-adherence to conditions of surrender

Under the KMVT Act, motor vehicles registered in the State are exempted from payment of tax for the period during which the vehicles are not intended to be used on road. For obtaining the exemption, the registered owner of the motor vehicle is required to furnish to the registering authority a declaration of non-use specifying the place where it is garaged along with details of payment of tax upto the date of surrender of the documents. According to the notification issued in August 2003, the said exemption is not applicable if the vehicle is removed from the garage without the prior permission of the registering authority. The KMVT Rules provide for composition of the offence on payment of penalty of 20 *per cent* of the arrears of tax due.

In seven²⁸ RTOs, declarations of non-use of eight registered motor vehicles were accepted between January 2004 and February 2006 by the department. However, during inspection by the concerned inspectors of motor vehicles between March 2004 and September 2006, the vehicles were not found at the declared place of garage. Consequently, these became ineligible for exemption from payment of tax of Rs.4.97 lakh, but no action was taken to demand/recover the same. Failure to do so resulted in non-levy of tax of Rs.4.97 lakh. Besides, penalty of Rs. 99,000 was also leviable on composition of offence.

After the cases were reported to the Commissioner for Transport between April 2005 and March 2007, the department reported that Rs. 13,608 had been recovered in one case in RTO, Bijapur and demand notices issued in three cases relating to RTOs, Chamrajanagar and Puttur. Reply in remaining cases and further reports on recovery have not been received (October 2007)

The matter was referred to the Government in April 2007; their reply has not been received (October 2007).

²⁸ Bangalore, Bijapur, Chamarajanagar, Chitradurga, Gadag, Mangalore, Puttur